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5 February 1965

DCI BRIEFING
FOR THE HOUSE APPROPRIATIONS

PANAMA

- I. President Johnson's canal announcement on 18 December put US-Panamanian relations on a new and more positive basis, robbed the Communists of their most useful issue, and strengthened President Robles' hand in moving Panama toward stability.
- II. President Robles' four months in office have proven him courageous, highly motivated, and determined, though not always a good judge of his advisers.
 - A. His firm but restrained use of the National Guard against challenges from students and other agitators ^{has} ~~have~~ strengthened his leadership and reduced his vulnerability.
 - B. His insistence on tax and tariff reforms improves the outlook for other urgently needed reforms but these and other policies have alienated some powerful political groups.

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1. They hope to oust Robles, perhaps with help from disgruntled elements within his own coalition as well as from the far left.
 2. There are already reports of possible cabinet changes.
- C. Some middle-level but influential officials, named to placate nationalistic sentiment, retain close contacts with the pro-Communist left.
- D. The deputies, who will serve as a permanent legislative committee when the National Assembly adjourns this month, include radical nationalists and others hard for Robles to control.

III. Panamanian negotiators resumed discussions in the US in late January with a "package proposal" to integrate the Canal Zone into the Panamanian economy.

- A. says
- Panamanian officials are prepared for prolonged negotiations and feel that they will get about three fourths of their demands.

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- B. [] feels that extreme leftist demands for "neutralization" of the Canal Zone will be less of an issue than such questions as removal of zonal boundaries and increased Panamanian control of port activity at the Canal terminals.
- C. Foreign Minister Eleta is not entirely happy over his recent talks in New York with Assistant Secretary Mann on the sea-level canal or over the progress of treaty talks.

IV. Communists are still attracted by the prospects open to them in Panama, particularly as a means of causing trouble for the US.

A. We must expect continued agitation, attempts at terrorism, and labor unrest by Communists, particularly among the student leaders.

1. Communists at the University of Panama were irritated by their failure to incite real trouble during the anniversary of the January 1964 riots and by their narrowed margin of victory in student federation elections on 13 January. They may try to cause trouble before they are further weakened by Robles' expressed intention to reform the university and weaken their influence.

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